Ben The Beneficient Company Group, LP

Chairman Jeff Longbine
Senate Committee on Financial Institutions
and Insurance
Kansas State Capitol
300 SW 10th Ave.
Topeka, KS 66612

RE: Testimony in **SUPPORT** of SB 288

Chairman Longbine and members of the Committee:

I want to thank you and the members of the Senate Committee on Financial Institutions and Insurance for holding an important hearing regarding Senate Bill 288 and the economic benefits it ***will*** bring to small rural communities across Kansas. I am a sixth generation Kansan on the matriarch side of my family and a fifth generation Kansan on the patriarch side, so economic development for Kansas is near and dear to my heart.

Whenever I am asked where I grew up, I reply that I am a Kansan who happens to work in Texas. Even though I office in Dallas, Texas, I currently operate a generational grain farm once owned by my great-great grandfather in Harvey County and have various other commercial and residential property holdings in Hesston, Kansas as well. When back home, I attend a small white wooden church on the prairie of Highland Township in Harvey County built by my great-great-great grandparents in which each of my sibling, parents and generations of grandparents for more than 100 years have been married, including my wife and me. It is in the graveyard of that small prairie church that my wife and I will be laid to rest alongside generations of family who settled Kansas and Harvey County. Small towns like Hesston and economically challenged counties like Harvey County are the reason I enthusiastically support Senate Bill 288.

I am an entrepreneur who has supported the economic development of small Kansas communities over the years as an owner and operator of businesses in Newton, Kansas and as the founder and initial financial donor to establish the Hesston Community Foundation in support of Hesston public schools. I've had the good fortune of being one of the largest donors to the Hesston library construction project. It is the commitment to the future of hometowns like Hesston and my home state that is at the heart of this proposed legislation. Today, I am the founder, Chairman and Chief Executive Officer of Beneficient which operates in a new and expanding lane of the Trust Banking industry across the United States. Our growing industry represents a tremendous opportunity for the economic development of small communities across Kansas.

Passing legislation that encourages business development in evolving and expanding industries, such as Senate Bill 288, is a proven avenue for economic development of states and communities across the United States. South Dakota's statutes addressing the needs of credit card banking and processing is a clear example of one state which grew to among the largest and most credible jurisdictions for the nation's largest banks to operate their credit card companies. That forward-thinking approach has generated meaningful revenue to South Dakota, a state with one third the population of Kansas. Other states, such as Delaware, Wyoming and Nevada, have focused on re-vitalizing banking statutes to recruit companies like Beneficient to operate within their jurisdictions. But none of these states have consolidated all the necessary operating statutes from multiple jurisdictions into one comprehensive and clear legislation. Kansas trust and banking laws were first passed in 1897 and revitalized in 1947 – nearly 75 years ago. Kansas has the opportunity now to combine and update existing statutes from other jurisdictions that will provide consolidated legislation for a new lane of fiduciary financial institutions that will attract other businesses to operate within Kansas. This comes with an attractive opportunity for generating substantial economic investment in small rural Kansas communities defined as Economic Growth Zones in Senate Bill 288.

Senate Bill 288 provides for operating parameters and economic requirements of a "Fiduciary Financial Institution" such as Beneficient. As an example, Beneficient operates with a $2.4 billion balance sheet providing specialized trust banking products and services to the growing $5.6 trillion U.S. industry of institutional alternative asset management. Businesses within this industry now represent a substantial leading capitalization of U.S. publicly traded companies on the New York Stock Exchange and NASDAQ.

Beneficient, and existing companies like Beneficient, aim to complete about $130 billion of business each year within this $5.6 trillion industry. The $130 billion of new business has the potential to generate $3.25 billion (2.5%) each year in Economic Growth Contributions to the Kansas jurisdictions in which Fiduciary Financial Institutions operate. Here's how: customers who secure financing of their trust assets commonly incur costs associated with such financings, such as a customary 2.5% cost (payable to a charity or similar qualified institution of the trustee's choice). Payment of the 2.5% amount to a qualified institution produces a lower income tax liability and, consequently, a more economically attractive financing arrangement for the customer. Pursuant to Senate Bill 288, this 2.5% customary cost would now be a statutorily required Economic Growth Contribution ("EGC"). The EGC would be borne by the customer and would equal 2.5% of the value of the customer's assets held in Kansas trusts and financed by Kansas Fiduciary Financial Institutions.

The Kansas Fiduciary Financial Institution would collect the 2.5% EGC from the customer and remit such funding to the Kansas Economic Growth Zones and the Department of Commerce. With an overall market opportunity of $130 billion for companies like Beneficient, if this market were transacted entirely through Kansas trusts having Kansas Fiduciary Financial Institutions as trustees, then over $3.25 billion (2.5% of $130 billion) would be collected by the Fiduciary Financial Institutions from their customers and remitted as EGCs to the Kansas Economic Growth Zones and the Department of Commerce. Attracting these financing operations to Kansas through legislative initiatives is similar to how the substantial majority of credit card banking is now transacted through South Dakota.

Importantly, this $130 billion of annual financing business is originated principally from seven wealthy city centers across the United States where individual families each worth over $5 million reside and small institutions are located; including, the Texas Triangle, New York City, Boston, Los Angeles, San Francisco, Chicago and the Palm Beaches of Florida. The objective of this legislation is to bring the assets from these wealthy city centers into Kansas domiciled trusts having a Fiduciary Financial Institution as a qualified fiduciary and trustee. In other words, capital from out-of-state comes to Kansas.

As previously outlined above, the out-of-state customers bear an industry customary 2.5% cost which, pursuant to Senate Bill 288 is then collected by the trustee (i.e., the Kansas Fiduciary Financial Institution) and remitted to the defined Kansas Economic Growth Zones which are modelled after Kansas' existing Rural Opportunity Zone legislation. Payment of this 2.5% cost is accepted by customers and is not unique. What is unique about Senate Bill 288 is that it directs the 2.5% to be remitted as EGCs to the Economic Growth Zones within Kansas. Importantly, Senate Bill 288 clearly mandates that the Kansas Fiduciary Financial Institution must remit the **greater** of the Kansas Privilege Tax or the EGCs. As a result, Kansas ***will*** economically benefit under one or the other revenue calculation. To summarize, out-of-state customers benefit from the terms and operation of Kansas trusts and pay Kansas Economic Growth Zones for those conveniences. Senate Bill 288 does not depend on Kansans to invest or contribute economics, nor does it put Kansans at any risk for those economics, but instead it brings in the funds from out-of-state customers that generate the financial benefits for Kansas Economic Growth Zones.

Institutions such as Beneficient will clearly benefit from Senate Bill 288 through the efficiency and economic advantage of operating in Kansas. Currently, Beneficient must do its business in multiple states having statutes which facilitate Beneficient's delivery of its products and services. As a result, Beneficient administers trusts in Delaware and Texas and was looking to administer trusts within South Dakota which has statutes which meet the needs of Beneficient's customers. With Senate Bill 288, all of this administration would be completed in Kansas, and we firmly believe that other industry participants will follow Beneficient's lead and locate operations in Kansas. Fiduciary Financial Institutions will operate more efficiently and economically within a single jurisdiction having clear statutes.

Senate Bill 288 also acknowledges and addresses two important concepts First, Kansas should not bear any costs in implementing the Bill or in regulating Fiduciary Financial Institutions. Second, Kansas should derive an immediate economic benefit, and not bet on the "come." The Bill accomplishes both of these objectives, by creating a Pilot Program to be funded solely by the Pilot Fiduciary Finance Company – Beneficient. The Pilot Program provides funding to the Office of the State Banking Commissioner and the Secretary of Commerce to cover all costs of regulation/oversight and further development of economic growth in Kansas under the Bill. Second, the Pilot Program requires the Pilot Fiduciary Finance Company to make at least $9 million of EGCs to the first Economic Growth Zone for investment within the designated communities. The Bill is designed to ensure that Kansas will not bear any economic cost.

I will close this testimony with my experience as a young man growing up in Kansas. When I entered elementary school, Hesston Kansas had a population of just under 2,000 people and when I graduated from Hesston High School the population had increased by 50% to 3,000 people – a large increase by any standard! Also, when I entered elementary school, Hesston had ***two*** grocery stores, a five and dime, a bakery, a butcher shop, a fabric store and a clothing store where we would purchase our school clothes. However, when I graduated from high school, all but one grocery store was closed and shuttered – yet the town had grown by 50% over the same 12 years, and it was 1980.

What happened? Some say it was Sam Walton's meteoric rise of Wal-Mart, but that's not accurate. Wal-Mart did not begin its expansion into areas surrounding Hesston until well into the 1980's, and Wal-Mart did not introduce its first Sam's Club in the U.S. until 1983. The fall of Hesston's main street began with the great farm crisis between 1979 and 1980. Hesston relied on the agricultural industry. Changes to that industry, along with a tough recession, devastated small communities across Kansas and the grain belt. With the downturn of the agricultural industry Hesston doesn't even have one grocery store anymore. It is a food desert, and yet today Hesston is two times the size it was when I went to elementary school (back when we had two grocery stores). Back then, we had every building on main street busy with businesses contributing to the economy of our thriving community and public schools. Hesston, like other small Kansas communities, want to locally manage and develop their own economies without the presence and influence from chain strip mall businesses such as out-of-state operators like Dollar General, which is based out of Goodletsville, Tennessee.

Thoughtful and targeted legislation such as Senate Bill 288 can reinforce new emerging industries, such as the Fiduciary Financial Institution industry, and recruit companies to successfully develop their businesses in a manner that will economically benefit small towns like Hesston to thrive once again under their own local leadership.

The youngest members of my family are my grand nieces who are in the fifth grade in the Hesston public school system. They are eighth generation Kansans - that's eight generations in Hesston, Kansas.

As entrepreneurs and legislatures working together, I believe we have a responsibility to future generations, such as my grand nieces, to embrace policies and enact laws focused on making our small-town communities attractive to promising new industries, such as the fiduciary finance trust banking industry. That is what Senate Bill 288 does, and we need to embrace this opportunity for all Kansans.

I am a proud Kansan and I respect each of your dedication and service to Kansans and our state. Mr. Chairman, I want to again thank you and each Member of the Committee for the opportunity to hold a hearing and this opportunity to present my testimony for your consideration and discussion.

Very truly yours,

Brad K. Heppner
Chief Executive Officer & Chairman